UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

KATHRYN MOSER; NATIONAL ASSOCIATION OF TELECOMPUTER OPERATORS,	)	No. CA 93-35686
	)	D.C. No. CV-92-01408-JAR
Plaintiffs-Appellees,	)	
	)	OPINION
v.	)	
FEDERAL COMMUNICATIONS COMMISSION, a federal agency; JAMES H. QUELLO, in his capacity as interim Chairman of the Federal Communications Commission,	)	
Defendants-Appellants.	)	

Appeal from the United States District Court
for the District of Oregon
James A. Redden, District Judge, Presiding

Argued and Submitted
October 31, 1994 -- Portland, Oregon

Filed February 6, 1995

Before: Betty B. Fletcher, Dorothy W. Nelson, and Pamela Ann Rymer, Circuit Judges.

Opinion by Judge Fletcher

COUNSEL

Mark B. Stern, United States Department of Justice, Washington, D.C., for the defendants-appellants.

Charles F. Hinkle, Stoel Rives Boley Jones & Grey, Portland, Oregon, for the plaintiffs-appellees.

OPINION

FLETCHER, Circuit Judge:

The Federal Communications Commission ("FCC") appeals the district court's ruling on summary judgment that a provision of the Telephone Consumer Protection Act of 1991, 47 U.S.C. § 227, banning prerecorded telemarketing calls violates the First Amendment. The FCC argues as a threshold matter that the district court lacked jurisdiction and, on the merits, that the district court erred in finding that the statute did not constitute a "reasonable fit" with the government's legitimate interest in protecting residential privacy. We hold that the district court had jurisdiction. We reverse on the merits.

I

Congress held extensive hearings on telemarketing in 1991. Based upon these hearings, it concluded that telemarketing calls to homes constituted an unwarranted intrusion upon privacy. The volume of such calls increased substantially with the advent of automated devices that dial up to 1,000 phone numbers an hour and play prerecorded sales pitches. S. Rep. No. 102-178, 102d Cong., 1st Sess. (1991), *reprinted in* 1991 U.S.C.C.A.N. at 1970. By the fall of 1991, more than 180,000 solicitors were using automated machines to telephone 7 million people each day. *Id.*

In addition to the sheer volume of automated calls, Congress determined that such calls were "more of a nuisance and a greater invasion of privacy than calls placed by 'live' persons" because such calls "cannot interact with the customer except in preprogrammed ways" and "do not allow the caller to feel the frustration of the called party ...." *Id.* at 1972. Customers who wanted to remove their names from calling lists were forced to wait until the end of taped messages to hear the callers' identifying information. Prerecorded messages cluttered answering machines, and automated devices did not disconnect immediately after a hang up. *Id.* at 1972.[1] In a survey conducted for a phone company, 75 percent of respondents favored regulation of automated calls, and half that number favored a ban on all

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[1] Appellants contend that newer automated machines disconnect when they reach an answering machine, and terminate the call within one second of a hang up.

phone solicitation. *Id.* at 1970. Although 41 states and the District of Columbia have restricted or banned intrastate automated commercial calls,[2] many states asked for federal legislation because states may not regulate interstate calls. *Id.*

The Telephone Consumer Protection Act, Pub. L. No. 102-243, 105 Stat. 2394-2402 (1991), an amendment to the Communications Act of 1934, was passed on December 20, 1991, to take effect a year later. It provides in part:

> It shall be unlawful for any person with the United States
>
> ...(B) to initiate any telephone call to any residential line using an artificial or prerecorded voice to deliver a message without the prior express consent of the called party, unless the call is initiated for emergency purposes or is exempted by rule or order by the Commission under paragraph (2)(B)....

47 U.S.C. § 227(b)(1).

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[2] Three state statutes have faced constitutional challenges. The Minnesota statute was upheld in *Humphrey v. Casino Marketing Group, Inc.*, 491 N.W.2d 882 (Minn. 1992), *cert. denied*, 113 S. Ct. 1648 (1993). The New Jersey statute was found unconstitutional in *Lysaght v. New Jersey*, 837 F. Supp. 646 (D.N.J. 1993), and the Oregon statute was found to violate the Oregon constitution in *Moser v. Frohnmayer*, 845 P.2d 1284 (Or. 1993).

Under the statute, prerecorded messages may be used only if a live operator introduces the message or if the consumer consents. All live solicitation calls, as well as automated calls to most business, are permitted. The statute authorizes the FCC to enact limited exemptions from the ban, including an exemption for calls not made "for a commercial purpose."[3] The FCC adopted regulations on September 17, 1992, that exempted calls by tax-exempt, nonprofit organizations. 47 C.F.R. § 64.1200(c)(4).

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[3] Section 227(b) reads:

...(2) REGULATIONS; EXEMPTIONS AND OTHER PROVISIONS.-- The Commission shall prescribe regulations to implement the requirements of this subsection. In implementing the requirements of this subsection, the Commission--

...(B) may, by rule or order, exempt from the requirements of paragraph (1)(B) of this subsection, subject to such conditions as the Commission may prescribe--

(i) calls that are not made for a commercial purpose; and

(ii) such classes or categories of calls made for commercial purposes as the Commission determines--

(I) will not adversely affect the privacy rights that this section is intended to protect; and

(II) do not include the transmission of any unsolicited advertisement.

II

The nonprofit National Association of Telecomputer Operators ("NATO") and its president, Kathryn Moser, filed suit on November 12, 1992, seeking injunctive relief and a declaratory judgment. NATO alleged that the law created a content-based restriction not narrowly tailored to further a substantial government interest, in violation of the First Amendment. It also claimed that the statute violated the Equal Protection Clause of the Fifth Amendment.

The district court granted a preliminary injunction on December 18, 1992. *Moser v. FCC*, 826 F. Supp. 360, 361 (D.Or. 1993). On May 21, 1993, the court granted summary judgment for the plaintiffs, declaring that the statute violated the First Amendment. The court did not reach the Fifth Amendment claim. *Id.* at 367.

III

First we address the FCC's challenge to the district court's jurisdiction. The FCC claims that the lawsuit should have originated in the court of appeals, which has exclusive jurisdiction over challenges to FCC regulations. 28 U.S.C. § 2341, 47 U.S.C. § 402(a); *FCC v. ITT World Communications, Inc.*, 466 U.S. 463, 468 (1984). The FCC contends that NATO's challenge necessarily is to the regulations, as the statute does not distinguish between commercial and noncommercial calls.

[1] The statute does not distinguish between commercial and noncommercial calls, except as it makes

reference to calls not made for a commercial purpose that the FCC is granted permission to exempt by regulation under conditions it may prescribe. This language is permissive, not mandatory. It in no way requires the FCC to adopt such exemptions by regulation, order or otherwise. Appellees insist they expressly challenge the statute and only the statute. The district court has jurisdiction over a challenge to the statute's constitutionality. We note that it is a narrow challenge. It does not reach the regulations which are outside the jurisdiction of the district court. We understand appellees challenge them in a separate proceeding initiated in this court as a petition for review of Commission action. Therefore, we do not review here the FCC's regulation that exempts noncommercial automated calls from its ban.

IV

We review the constitutionality of a statute de novo. *Gray v. First Winthrop Corp.*, 989 F.2d 1564, 1567 (9th Cir. 1993).

Because the district court held that the statute itself distinguished between commercial and noncommercial calls, it analyzed the statute's constitutionality under the test for regulation of commercial speech articulated in *Central Hudson Gas & Electric Corp. v. Public Service Comm'n*, 447 U.S. 557, 564, (1980) and *Board of Trustees v. Fox*, 492 U.S. 469, 480, (1989). *Moser v. FCC*, 826 F. Supp. at 363.

[2] Because nothing in the statute requires the Commission to distinguish between commercial and noncommer-

cial speech, we conclude that the statute should be analyzed as a content-neutral time, place, and manner restriction. It regulates all automated telemarketing calls without regard to whether they are commercial or noncommercial. However, we note that the tests for time, place and manner restrictions for content-neutral speech and regulations for commercial speech regulations are essentially identical. *Fox*, 492 U.S. at 477. The government may impose reasonable restrictions on the time, place, or manner of protected speech, provided that the restrictions "are justified without reference to the content of the restricted speech, that they are narrowly tailored to serve a significant governmental interest, and that they leave open ample alternative channels for communication of the information." *Ward v. Rock Against Racism*, 491 U.S. 781, 791 (1989) (quoting *Clark v. Community for Creative Non-Violence*, 468 U.S. 288, 293 (1984)).

NATO does not challenge the government's significant interest in residential privacy, and does not dispute that curbs on telemarketing advance that interest. Rather, it asserts that a selective ban on automated, commercial calls is unjustified because there is no evidence that such calls are more intrusive than either "live" or noncommercial calls. The district court reasoned that, because prerecorded calls constitute a fraction of all telemarketing calls,[4] a selective ban on these calls would not advance the governmental interest in protecting privacy. *Moser v. FCC*, 826 F. Supp. at 366. The court relief heavily upon *City of Cincinnati v.*

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[4] The district court adopted NATO's estimate that only 3 percent of all solicitation calls are taped. However, the FCC contends that 17-30 percent of telemarketing calls are automated.

Discovery Network, 113 S. Ct. 1505 (1993), in which the Supreme Court rejected a selective ban on commercial newsracks on the ground that such newsracks posed no greater threat to safety and aesthetics than noncommercial newsracks.

[3] Because the statute does not require that the FCC distinguish between commercial and noncommercial calls, the appropriate inquiry is whether a ban on automated telemarketing calls is narrowly tailored to the residential privacy interest, and whether ample alternative channels of communication remain open.

[4] There was significant evidence before Congress of consumer concerns about telephone solicitation in general and about automated calls in particular. Congress made extensive findings. *See supra* at 1506-7. The district court did not give sufficient weight to these findings. "When Congress makes findings on essentially factual issues...those findings are of course entitled to a great deal of deference, inasmuch as Congress is an institution better equipped to amass and evaluate the vast amounts of data bearing on such an issue." *Walters v. National Ass'n of Radiation Survivors*, 473 U.S. 305, 331 n. 12, 105 S. Ct. 3180, 87 L.Ed.2d 220 (1985). Such deference does not foreclose the court's independent judgment of the facts bearing on an issue of constitutional law. *Sable Communications v. FCC*, 492 U.S. 115, 129, 109 S. Ct. 2829, 106 L.Ed.2d 93 (1989).

[5] We conclude that Congress accurately identified automated telemarketing calls as a threat to privacy. Further, Congress could regulate a portion of these calls without

banning all of them. The Supreme Court has repeatedly stated that "underinclusiveness" may be the basis of a First Amendment violation only when a regulation represents to "attempt to give one side of a debatable public question an advantage in expressing its views to the people." *City of Ladue v. Gilleo*, 114 S. Ct. 2038, 2043 (1994) (citing *First Nat'l Bank of Boston v. Bellotti*, 435 U.S. 765, 785-86 (1978)). The ban on automated, prerecorded calls is not an attempt to favor a particular viewpoint.

In *United States v. Edge Broadcasting Co.*, 113 S. Ct. 2696, 1706-08 (1993), the Supreme Court upheld a ban on the broadcast of lottery advertisements by radio stations licensed in states without lotteries, despite evidence that listeners along state borders would be bombarded by ads broadcast by stations in states with lotteries. The Court said, "Nor do we require that the Government make progress on every front before it can make progress on any front...[T]he Government may be said to advance its purpose by substantially reducing lottery advertising, even where it is not wholly eradicated." *Id.* at 2707; *see also R.A.V. v. City of St. Paul*, 112 S. Ct. 2538, 2545 (1992) (holding that "the First Amendment imposes not an 'underinclusiveness' limitation but a 'content discrimination' limitation"); *Metromedia, Inc. v. City of San Diego*, 453 U.S. 490, 512 (1981) (upholding distinction between on-site and off-site on billboards); *Curtis v. Thompson*, 840 F.2d 1291, 1303 (7th Cir. 1988) (stating that claim that statute regulating real estate solicitations is underinclusive "asks us to second-guess the Illinois General Assembly and hold the statute unconstitutional...because we may believe that Illinois could have prohibited more expressive contact").

Such is the case here. Congress may reduce the volume of intrusive telemarketing calls without completely eliminating the calls.

The district court also found that Congress had failed to consider adequately less restrictive alternatives. *Moser v. FCC*, 826 F. Supp. at 367. This conclusion is at odds with the court's finding that Congress considered and rejected less restrictive forms of regulation, including a bill that would have required solicitors to give their names, addresses, and phone numbers in their messages and to use machines with certain disconnect features. *Id.* at 365.

[6] The restrictions in the Act leave open many alternative channels of communication, including the use of taped messages introduced by live speakers or taped messages to which consumers have consented, as well as all live solicitation calls. That some companies prefer the cost and efficiency of automated telemarketing does not prevent Congress from restricting the practice. *Kovacs v. Cooper*, 336 U.S. 77, 88-89 (1949) ("That more people may be more easily and cheaply reached...is not enough to call forth constitutional protection for what those charged with public welfare reasonably think is a nuisance when easy means of publicity are open.").

CONCLUSION

The provision in the Telephone Consumer Protection Act of 1991 banning automated, prerecorded calls to residences is content-neutral. Congress adequately demonstrated

that such calls pose a threat to residential privacy. The ban is narrowly tailored to advance that interest, and leaves open ample alternative channels of communication. Thus, it does not violate the First Amendment.

REVERSED.

UNITED STATES DISTRICT COURT

FOR THE DISTRICT OF OREGON

KATHRYN MOSER and NATIONAL ASSOCIATION OF TELECOMPUTER OPERATORS,	)	Civil No. 92-1408-RE
Plaintiffs,	)	OPINION
v.	)	
FEDERAL COMMUNICATIONS COMMISSION, a federal agency, and JAMES H. QUELLO, in his capacity as Chairman of the Federal Communications Commission,	)	
Defendants.	)	

Charles F. Hinkle
Julianne Ross Davis
Stoel Rives Boley Jones & Grey
900 S.W. Fifth Avenue, Suite 2300
Portland, Oregon 97204-1268

Attorneys for the Plaintiffs

Jack Wong
United States Attorney
Herbert C. Sundby
Assistant United States Attorney
888 S.W. Fifth Avenue, Suite 1000
Portland, Oregon 97204-2024

Stuart E. Schiffer
Acting Assistant Attorney General
Theodore C. Hirt
C. Gail Walker
United States Department of Justice
Civil Division
901 E Street, N.W. Room 1070
Washington, D.C. 20530

Jane E. Mago
Assistant General Counsel
James M. Carr
Federal Communications Commission
Washington, D.C. 20554

Attorneys for the Defendants.

REDDEN, Judge:

In December, 1992, this court granted plaintiffs' motion for a preliminary injunction enjoining defendants from enforcing 47 U.S.C. § 227(b)(1)(B), which prohibits using an artificial or prerecorded voice to deliver some commercial messages to residential telephone lines without the consent of the called party. During the ensuing months, both parties

have moved for dispositive rulings and submitted supporting memoranda.

Oral argument was heard on 16 March 1993, and the parties have since filed supplemental briefing on two recent Supreme Court decisions relevant to the issues presented here. Final briefing was received from the parties on 12 May 1993. For the reasons that follow, plaintiffs' motion for summary judgment is granted.

BACKGROUND

In 1991, Congress enacted the Telephone Consumer Protection Act ("TCPA"), which amended the Communications Act of 1934 by restricting telephone solicitation techniques. The amendment provides in part:

> (b) RESTRICTIONS ON THE USE OF AUTOMATED TELEPHONE EQUIPMENT
>
> (1) PROHIBITIONS - It shall be unlawful for any person within the United States -
>
> * * *
>
> (B) to initiate any telephone call to any residential telephone line using an artificial or prerecorded voice to deliver a message without the prior express consent of the called party, unless the call is initiated for emergency purposes or is exempted by rule or order by the [Federal Communications] Commission under Paragraph (2) (B);

* * *

(2) REGULATIONS; EXEMPTIONS AND OTHER PROVISIONS - The Commission shall Prescribe regulations to implement the requirements of this subsection. In implementing the requirements of this the Commission -

(A) shall consider prescribing regulations to allow businesses to avoid receiving calls made using an artificial or Prerecorded voice to which they have not given their prior express consent; and

(B) may, by rule or order, exempt from the requirements of paragraph (1)(B) of this subsection, subject to such conditions as the Commission may prescribe -

(i) calls that are not made for a commercial purpose;

and

(ii) such classes or categories of calls made for commercial purposes as the Commission determines -

(I) will not adversely affect the privacy rights that this section is intended to protect; and

(II) do not include the transmission of any unsolicited advertisement.

47 U.S.C. § 227(b).

The Federal Communications Commission (FCC) promulgated regulations under the TCPA which were to have become effective 20 December 1992. This court issued a preliminary injunction because serious questions were raised regarding whether there was a reasonable fit between the TCPA and the desired objective of enhancing residential privacy.

That ruling was influenced substantially by *Discovery Network, Inc. v. Cincinnati*, 946 F.2d 464 (6th Cir. 1991). The Sixth Circuit held that invocation of an ordinance resulting in a ban of commercial handbill distribution on public property placed a substantially greater burden on commercial speech than was necessary to alleviate aesthetic and safety concerns related to the proliferation of newsracks on city streets.

On 24 March 1993, the Supreme Court affirmed the Sixth Circuit's decision. *Cincinnati v. Discovery Network*, ___ U.S. ___, 113 S. Ct. 1505 (1993). The Court concluded that the city failed to establish that a reasonable fit existed between the restrictions being placed upon commercial speech through the ban on commercial handbill newsracks, and the goals of safety and aesthetics the city sought to serve by invoking such a ban.

ANALYSIS

The two conclusions drawn after the 17 December 1992 preliminary injunction hearing remain valid: the TCPA affects commercial speech and must therefore pass muster under the constitutional standards protecting commercial speech, and the government's interest in promoting residential privacy, which prompted the TCPA, is substantial.

A. Jurisdiction

At the outset, this court must address the government's assertion that the exercise of jurisdiction must distinguish the TCPA as a statute from the FCC's related regulations. The government contends that the statute--on its face--bans all unsolicited, prerecorded calls not initiated for emergency purposes, regardless of the message's content. Congress authorized the FCC to implement the requirements of the statute, and allowed the FCC to establish exemptions to this ban, under 47 U.S.C. § 227(b)(2)(B). That section states that the FCC may exempt calls that are not made for a commercial purpose.

The circuit courts of appeals have exclusive jurisdiction to review FCC regulations. 28 U.S.C. § 2341; 47 U.S.C. § 402(a); *FCC v. ITT World Communications, Inc.*, 466 U.S. 463 (1984). Here, however, the statute itself establishes a distinction between commercial and noncommercial speech in the implementing instructions it provides to the FCC. The report submitted by the House Committee on Energy and Commerce, in which the Committee discussed its findings related to the proposed exclusion of calls from

tax exempt organizations in an earlier version of the bill, states:

> In crafting [the statute], the Committee was sensitive to restraints on its authority to regulate the speech of charitable and political organizations, speech which the Supreme Court has identified as "core" First Amendment Speech. . . . [T]he Committee found that solicitations by such organizations were less of a problem than commercial calls. It is on this basis that the Committee believes that the scope of the regulation is a workable "commercial speech" distinction consistent with Supreme Court precedent.

H. Rep. No. 102-317, 102d Cong., 1st Sess., 17 (1991) (citations omitted) (referred hereinafter as "House Report"). This court has jurisdiction--and properly undertakes this examination--regarding the attempt by Congress to distinguish and permit restriction of commercial speech in passage of the TCPA.

B. Is the TCPA Content-Neutral?

Plaintiffs argue that the statute restricts speech impermissibly on the basis of its content or the speaker's viewpoint, since telemarketing computers with prerecorded messages are prohibited for commercial uses, but not for political activities, polling, or solicitations from nonprofit organizations. Plaintiffs refer to *R. A. v. v. St. Paul*, ___ U.S. ___, 112 S. Ct. 2538, 2542 (1992) for the proposition

that the Supreme Court prohibits regulations of speech based upon the content or viewpoint of that speech.

Defendants contend the TCPA's restrictions are not content-based, reiterating that on its face, the statute bans all automated calls and leaves the implementation of exemptions to the FCC. As reviewed above, however, the statute does distinguish among forms of speech, and these distinctions are undeniably based upon the content of the speech.

As *Discovery Network* states, "government may impose reasonable restrictions on the time, place or manner of engaging in protected speech provided that they are adequately justified 'without reference to the content of the regulated speech."' *Discovery Network*, 113 S. Ct. at 1516, (quoting *Ward v. Rock Against Racism*, 491 U.S. 781, 791 (1989) (other citation omitted)).

In *Ward*, the Supreme Court stated:

> The principal inquiry in determining content neutrality, in speech cases generally and in time, place, or manner cases in particular, is whether the government has adopted a regulation of speech because of disagreement with the message it conveys. *Clark v. Community for Creative Non-Violence*, 468 U.S. 288, 295 (1984). The government's purpose is the controlling consideration. A regulation that serves purposes unrelated to the content of expression is deemed neutral, even if it has an

> incidental effect on some speakers or messages but not others.

Ward, 491 U.S. at 791.

More recently, the Court rejected the argument that discriminatory treatment "is suspect under the First Amendment only when the legislature intends to suppress certain ideas." *Simon & Schuster v. Members of New York State Crime Victims Bd.*, ___ U. S. ___, 112 S. Ct. 501, 503 (1991).

This court concludes that the TCPA is a content-based regulation, and cannot be justified as a legitimate time, place or manner restriction on protected speech. The statute draws distinctions between the manner in which some speech is delivered (recorded versus live), but also distinguishes between messages on the basis of content (commercial versus noncommercial). Moreover, the government's purpose behind legislating the TCPA's speech restrictions is necessarily related to the content of the prerecorded messages; the statute restricts some speakers because the content of their messages (prerecorded commercial solicitations) is believed to be more invasive of residential privacy than the prerecorded speech of others (noncommercial solicitors).

Plaintiffs' assertion that the TCPA discriminates on the basis of viewpoint, however, is rejected. The *R. A. v.* decision establishes that while some categories of speech (including commercial speech) can be regulated more freely because of their content, the government cannot discriminate in favor or against a certain view. There must be "no

realistic possibility that official suppression of ideas is afoot." *R. A. v.*, 112 S. Ct. at 2547.

Here, there is no possibility of such suppression. Congress has not discriminated because it favors the viewpoints or messages of "live" telemarketing. The distinction between prerecorded and "live" messages, despite being unavoidably content-based, still targets the manner in which the message is delivered, not its content.

As in *Discovery Network*, therefore, the validity of the TCPA must be determined under the law established in *Board of Trustees v. Fox*, 492 U.S. 469 (1989) and *Central Hudson Gas & Electric Corp. v. Public Service Commission*, 447 U.S. 557 (1980).

These cases hold that restrictions on commercial speech must (1) implement a substantial governmental interest; (2) directly advance that interest; and (3) be narrowly tailored to achieve the desired objective. *Central Hudson* held a restriction on commercial speech passes constitutional muster if it directly advances a substantial governmental interest in a manner that is no more extensive than necessary to serve that interest. *Central Hudson*, 447 U.S. at 564.

C. Is the TCPA Unconstitutional Under the Applicable Tests?

The Court in Fox determined that a regulation restricting commercial speech can be more extensive than necessary, as long as a "reasonable fit" exists between the

ends promoted by the regulation and the means chosen by the regulation for that promotion. *Fox*, 492 U.S. at 480. While the governmental interest addressed by the TCPA is viewed as substantial, this court finds that a reasonable fit does not exist between the interest in privacy, and the means chosen to promote that interest.

1. Is the Governmental Interest Substantial?

As noted earlier, the government's interests in promoting residential privacy, which prompted the TCPA, are substantial. A recent Minnesota decision upholding a similar state statute provides this perspective:

> "In short, the residential telephone is uniquely intrusive. The caller, who can convey messages which very young children can understand, is able to enter the home for expressive purposes without contending with such barriers as time or distance, doors or fences. . . . Moreover, the shrill and imperious ring of the telephone demands immediate attention. Unlike the unsolicited bulk mail advertisement. . . the ring of the telephone mandates prompt response, interrupting a meal, a restful soak in the bathtub, even intruding on the intimacy of the bedroom."

State of Minnesota v. Casino Marketing Group, Inc., 491 N.W.2d. 882, 888-89 (Minn. 1992), *cert. den. Hall v. Minnesota*, 113 S. Ct. 1648 (1993).

The Supreme Court addressed this privacy issue in *Frisby v. Schultz*, 487 U.S. 474 (1988), which held an ordinance banning residential picketing was not facially invalid under the first amendment. The Court described the governmental interest in the tranquility and privacy of the home--the "last citadel of the tired, the weary, and the sick"--as being "of the highest order." *Id.* at 484 (citations omitted). This court concludes that the TCPA addresses a substantial governmental interest in protecting residential privacy.

2. Does a "Reasonable Fit" Exist Between the Ends Promoted by the Regulation and the Means Chosen by the Regulation for that Promotion?

Under *Fox*, it is the government's burden to establish that a reasonable fit exists between the legislation it seeks to enact and the burden the law would place upon constitutional rights. *Fox*, 492 U.S. at 480. The Court in *Discovery Network* concluded that Cincinnati failed to calculate carefully the costs and benefits associated with the burden it attempted to place on speech.

The Court held:

> "In the absence of some basis for distinguishing between "newspapers" and "commercial handbills" that is relevant to an interest asserted by the city, we are unwilling to recognize Cincinnati's bare assertion that the 'low value' of commercial speech is a sufficient justification for its selective and cate-

> gorical ban on newsracks dispensing 'commercial handbills.' . . . Because the distinction Cincinnati has drawn has absolutely no bearing on the interests it has asserted, we have no difficulty concluding . . . that the city has not established the 'fit' between its goals and its chosen means that is required by our opinion in *Fox*.

Discovery Network, 113 S. Ct. at 1516. The same is true here. The government has failed its burden of establishing a reasonable fit between the ends sought, and the burden the legislative means places-upon speech.

The TCPA creates two distinctions in regulating speech: one between recorded commercial speech and recorded noncommercial speech, and another between recorded commercial speech and both nonrecorded commercial speech and recorded commercial speech introduced by an operator. As explained below, these distinctions fail to directly advance Congress' legitimate privacy interests and are therefore impermissible.

a. Commercial/Noncommercial Distinction

Regarding the distinction between recorded commercial messages and recorded nonprofit messages, the committee reporting on the earlier version of the telemarketing legislation interpreted evidence before it as suggesting that nonprofit solicitations are less intrusive, and less of a threat to residential privacy, than are commercial solicitations. The government relies in large measure upon this Report,

and its references to supporting evidence, in arguing that the TCPA directly advances the privacy interests. This Report, however, concerned a telemarketing bill that excluded the use of Automated dialers to solicit individuals who have objected to receiving such calls. Rather than imposing a ban on the use of machines delivering recorded commercial messages, the bill would have required such machines to have disconnect features, and would have required the messages to contain the name, address, and telephone number of the solicitor. H.R. 1304, § 3(b)(2) and (3)(d)(2), *reprinted in* House Report at 3.

The legislation being challenged here was added later by the Senate, and is different. The TCPA bans prerecorded commercial calls altogether, rather than limiting their audience. Moreover, the Report's references to the evidence presented to the Committee suggest nothing more than telemarketing legislation was needed because of the overall increasing volume of unsolicited calls. House Report at 7.

In discussing first amendment rights involving the broadcast media, the Supreme Court has stated:

> "[I]n evaluating First Amendment claims . . . we must afford great weight to the decisions of Congress and the experience of the Commission.
>
> * * *
>
> "That is not to say we "defer" to the judgment of Congress and the Commission on

> a constitutional question, or that we would hesitate to invoke the Constitution should we determine that the Commission has not fulfilled its task with appropriate sensitivity to the interests in free expression."

Columbia Broadcasting System, Inc. v. Democratic Nat. Committee, 412 U.S. 94, 102-03 (1973) (quotation omitted). Courts are free, of course, to make an independent factual judgment and judicial inquiries are not bound by congressional findings. *Sable Communications of California, Inc. v. FCC*, 492 U.S. 115, 129 (1989). Much of the congressional judgment to which counsel for the government in this case seeks judicial deference regards legislation that is significantly different than the statute before this court. Furthermore, it is the FCC's interpretation of that congressional record--an interpretation permitted by the TCPA--which prompts plaintiffs' specific challenge. The circumstances in this case underscore the wisdom in the Supreme Court's recognition that "reliance on legislative history is hazardous at best." *Board of Educ. of Westside Community Schools v. Mergens*, 496 U.S. 226, 242 (1990). Finally, the congressional references to supporting evidence are inconclusive on the question of whether the TCPA directly advances the interests in protecting residential privacy.

The government asserts that because a congressional report regarding similar legislation concluded that noncommercial calls are less prevalent, and "more expected," such calls are less intrusive, Congress has "justified" its differential treatment of these messages. This court disagrees.

As noted above, *Discovery Network* rejected a restriction on commercial speech based on a premise that such a restriction was justified by commercial speech's presumed low value. The Court, however, did leave open "the question whether, given certain facts and under certain circumstances, a community might be able to justify differential treatment of commercial and noncommercial" avenues of speech. *Discovery Network*, 113 S. Ct. at 1516.

There is no such justification presented, however, in the bald assertion that banning commercial solicitations but not nonprofit solicitations furthers the protection of residential tranquility. Both kinds of telemarketing calls trigger the same ding of the telephone; both kinds of calls invade the home equally, and both risk interrupting the recipient's privacy equally. Under the TCPA, noncommercial entities may use machines to deliver prerecorded messages, which further moots the attempted distinction: both kinds of calls deprive the recipient of human interplay, both risk delivering a message to an inappropriate party, and both risk fouling the means by which telephone subscribers can record callers' messages.

This court concludes that there is no reasonable fit between the goals and the means chosen to reach those goals in the distinction Congress drew between commercial and noncommercial messages under the TCPA, and that 47 U.S.C. § 227(b)(2)(B)(i), which permits the FCC to exempt from the restrictions of TCPA those calls not made for commercial purposes, is an impermissible means of responding to Congress' legitimate interests in protecting residential privacy.

b. Recorded/Live Commercial Distinction

The challenged statute also distinguishes recorded commercial speech from nonrecorded commercial speech or recorded commercial speech introduced by an operator. Under 47 U.S.C. § 227(b)(1)(B), it would be unlawful to initiate a telephone call using "an artificial or prerecorded voice to deliver a message without the prior express consent of the called party." In discussing the constitutional concerns with banning automated messages, the Senate Report from the Commerce, Science, and Transportation Committee offered the following distinction:

> "In addition, it is clear that automated telephone calls that deliver an artificial or prerecorded voice message are more of an nuisance and a greater invasion of privacy than calls placed by 'live' persons. These automated calls cannot interact with the customer except in preprogrammed ways, do not allow the caller to feel the frustration of the called party, fill an answering machine tape or a voice recording service, and do not disconnect the line even after the customer hangs up the telephone."

S. Rep. No. 102-178, 102d Cong., 2d Sess. (1991), *reprinted in* 1991 U.S.C.C.A.N. 1968, 1972 (footnotes omitted).

Despite the presumed frustration of some recipients, who arguably would prefer "interacting" with an operator when responding to an invasive telemarketing call, there is little to suggest that a ban on automated calls delivering prerecorded messages directly advances the interest in residential privacy.

The House Report regarding similar telemarketing legislation also fails to provide justification for distinguishing between prerecorded commercial messages and commercial messages introduced by an operator. The Report states that every day 300,000 solicitors call 18 million Americans, not including calls made by stockbrokers. House Report at 7. The Report cites a Roper Organization survey that concluded 67 percent of the respondents found calls "from people selling things" were "very annoying," while 70 percent of the respondents objected to calls "from a computer trying to sell something." House Report at 9.

Imposing a total ban on one form of commercial speech in reliance upon a statistical distinction of three percent fails the reasonable fit test. Evidence presented to this court indicates that the solicitations being banned by the TCPA make up less than three percent of the telemarketing calls received by Americans. Second Kolker Affidavit, 18 February 1993, Para. 4. Under any interpretation of the available evidence, the TCPA's promotion of residential privacy would be by way of eliminating a very small percentage of the millions of telemarketing calls being made every day. By enacting the TCPA, the intent of Congress was to enhance residential privacy through the restriction of telemarketing calls. The Supreme Court recognized in

Discovery Network that "all newsracks, regardless of whether they contain commercial or noncommercial publications, are equally at fault" in contributing to the proliferation of newsracks in Cincinnati. *Discovery Network*, 113 S. Ct. at 1515. Similarly, all telemarketing calls, regardless of whether they are introduced by operators, or on behalf of a charity, or deliver a prerecorded message, threaten the privacy Congress is striving to protect. The Supreme Court recognized the disparity in not burdening newspaper racks which "are arguably the greater culprit because of their superior number." *Id.* This court recognizes the same disparity where the "greater culprit" in invasive telemarketing calls--the predictive dialing machines that place far more calls than the machines delivering recorded messages--is unrestricted.

Nor does there appear sufficient consideration of "numerous and obvious less-burdensome alternatives to the restriction on commercial speech," deemed "certainly a relevant consideration in determining whether the 'fit' between ends and means is reasonable." *Discovery Network*, 113 S. Ct. at 1510, n.13. The Court reasoned that Cincinnati failed to carefully calculate the costs and benefits associated with the burden it was placing on commercial speech. The logical discordance created from totally banning an avenue of commercial speech to achieve the minute benefit of eliminating only 62 out of perhaps 2,000 newsracks contributed to the conclusion that there was no reasonable fit between the governmental goal and the means chosen to pursue it. *Id.* at 1510.

There is nearly identical discord here. Congress is attempting to ban totally a form of commercial speech, for the sake of reducing only slightly the number of telephone solicitations. While regulations on commercial speech are not subjected to a "least-restrictive-means" test, neither are they reviewed under a mere rational basis standard; a court may conclude there is an absence of a reasonable fit even if a regulation need not be the least burdensome possible. *Id.* at 1510, n.13. The rulings in *Metromedia, Inc. v. San Diego*, 453 U.S. 490 (1981), and *Posadas de Puerto Rico Associates v. Tourism Co. of Puerto Rico*, 478 U.S. 328 (1986), which address the issues of underinclusiveness, do not compel a different conclusion.

Because of the slight benefit realized, and the lack of consideration of less burdensome alternatives, and the unjustified distinctions between other forms of telephonic solicitation, this court concludes that Congress has not met its burden of showing a reasonable fit between the selective, categorical ban on one form of commercial solicitation and the goal of enhancing residential privacy.

CONCLUSION

The government has not met its burden of establishing a reasonable fit between the legislation it seeks to enact and the burden the law would place upon constitutional rights, *Fox*, 492 U.S. at 480, and has failed to consider less burdensome alternatives. The TCPA places an unconstitutional

restriction upon protected commercial speech, and plaintiffs' motion for summary judgment is granted.

Dated this 21st day of May, 1993.

James A. Redden
United States District Judge

UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF OREGON

KATHRYN MOSER and NATIONAL ASSOCIATION OF TELECOMPUTER OPERATORS,	)	Civil No. 92-1408-AS
Plaintiffs,	)	OPINION
v.	)	
FEDERAL COMMUNICATIONS COMMISSION, a federal agency, and ALFRED C. SIKES, in his capacity as Chairman of the Federal Communications Commission,	)	
Defendants.	)	

Charles F. Hinkle
Julianne Ross Davis
Stoel Rives Boley Jones & Grey
900 S.W. Fifth Avenue, Suite 2300
Portland, Oregon 97204-1268

Attorneys for the Plaintiffs

Charles H. Turner
United State Attorney
Herbert C. Sundby
Assistant United States Attorney
88 S.W. Fifth Avenue, Suite 1000
Portland, Oregon 97204-2024

Jane E. Mago
Assistant General Counsel
James M. Carr
Counsel
Federal Communications Commission
Washington, D.C. 20554

Attorneys for the Defendants.

REDDEN, Judge:

Plaintiffs move for a preliminary injunction enjoining defendants from enforcing 47 U.S.C. § 227(b)(1)(B), a federal statute that prohibits using an artificial or prerecorded voice to deliver some commercial messages to residential telephone lines without the consent of the called party. For the reasons that follow, injunctive relief is granted.

BACKGROUND

Plaintiff Kathryn Moser operates a chimney sweeping business with her husband in Keizer, Oregon. She also is president of the National Association of Telephone Operators, the other plaintiff, which represents small businesses that use telecomputer marketing. The defendants

are the Federal Communications Commission ("FCC") and its chairman.

One year ago, Congress enacted the Telephone Consumer Protection Act of 1991 ("TCPA"), which amended the Communications Act of 1934 to restrict telephone solicitation techniques. The amendment provides in part:

> (b) RESTRICTIONS ON THE USE OF AUTOMATED TELEPHONE EQUIPMENT -
>
> (1) PROHIBITIONS - It shall be unlawful for any person within the United States -
>
> * * *
>
> (B) to initiate any telephone call to any residential telephone line using an artificial or prerecorded voice to deliver a message without the prior express consent of the called party, unless the call is initiated for emergency purposes or is exempted by rule or order by the Commission under Paragraph (2)(B)....

47 U.S.C. §§ 227(b)(1)(B). The FCC recently promulgated regulations for implementing these restrictions, and under the statute's terms, the restrictions and the implementing regulations were to go into effect 20 December 1992.

This court conducted a hearing on 17 December 1992 on plaintiffs' motion for injunctive relief, at which plaintiff presented evidence and testimony. Defendants raised juris-

dictional challenges, which are addressed below, and presented argument in opposition to plaintiffs' motion, but submitted no evidence or testimony.

STANDARDS

To obtain preliminary injunctive relief in the Ninth Circuit, a party must meet one of two alternative tests. Under the "traditional" test, preliminary relief may be granted if the court finds:

(1) the moving party will suffer irreparable injury if the preliminary relief is not granted;

(2) the moving party enjoys a likelihood of success on the merits;

(3) a balancing of hardships favoring the plaintiff;

(4) the advancement of the public interest favors granting injunctive relief.

Burlington N. R. Co. v. Department of Revenue, 934 F.2d 1064 (9th Cir. 1991).

Under the alternative standard, the moving party may meet its burden by showing either (1) probable success on the merits and the likelihood of irreparable injury, or (2) that serious questions are raised and the balance of hardships tips sharply in the moving party's favor. *Associated General Contractors, Inc. v. Coalition for Economic Equity*, 950 F.2d 1401 (9th Cir. 1991), *cert. denied*, 112 S.Ct. 1670

(1992). These formulations "represent two points on a sliding scale in which the required degree of irreparable harm increases as the probability of success decreases." *United States v. Odessa Union Warehouse Co-op*, 833 F.2d 172, 174 (9th Cir. 1987). The Ninth Circuit has said that this really describes one test: "a continuum in which the required showing of harm varies inversely with the required showing of meritoriousness." *San Diego Committee Against Registration & Draft v. Governing Bd. of Grossmont Union High School Dist.*, 790 F.2d 1471, 1473 n.3 (9th Cir. 1986).

JURISDICTION

Defendants concede that jurisdiction exists here to challenge enforcement of the TCPA itself, but argue that the proper defendant is the United States, not the FCC. Additionally, the circuit courts have exclusive jurisdiction to review and stay FCC regulations. 28 U.S.C. § 2341; 47 U.S.C. § 402(a); *FCC v. ITT World Communications, Inc.*, 466 U.S. 463 (1984). To the extent plaintiff seeks to stay the enforcement of FCC's regulations, (and not the TCPA), jurisdiction rests with the Court of Appeals. *Information Providers' Coalition for Defense of the First Amendment v. FCC*, 928 F.2d 866 (9th Cir. 1991).

Plaintiffs' Amended Complaint clarifies that they assert constitutional claims against the statute, not the FCC's regulations. After hearing argument from both parties, this court is satisfied that plaintiffs are challenging the TCPA, and can properly exercise jurisdiction for declaring the statute unconstitutional.

ARGUMENT

a. Serious Questions

Where a challenged regulatory scheme restricts only commercial speech (as here), the first amendment requirements are less strict than the protections afforded other types of speech. *Washington Mercantile Asso. v. Williams*, 733 F.2d 687 (9th Cir. 1984); *Central Hudson Gas & Electric Corp. v. Public Service Commission*, 447 U.S. 557, 563-64 (1980). A restriction on commercial speech passes constitutional muster if it directly advances a substantial governmental interest in a manner that is no more extensive than necessary to serve that interest. *Central Hudson*, 447 U.S. at 563-64. In *Central Hudson*, the Court also stated that "[w]e review with special care regulations that entirely suppress commercial speech in order to pursue a non-speech related policy." *Id.* at 556 n.9.

More recently, the Court has said that restrictions on commercial speech should (1) implement a substantial governmental interest; (2) directly advance that interest; and (3) be narrowly tailored to achieve the desired objective. *Board of Trustees v. Fox*, 492 U.S. 469 (1989). The *Fox* Court interpreted Central Hudson's language that a regulation must not be more extensive than necessary as requiring a "reasonable fit" between the ends promoted by the regulation and the means chosen by the regulation for that promotion. *Id.* at 480.

Some of the findings by Congress under Section Two of the TCPA describe the substantial governmental interests

the statute targeted: unrestricted telemarketing "can be an intrusive invasion of privacy and, when an emergency or medical assistance telephone line is seized, a risk to public safety;" § 2 (5); "Individuals' privacy rights, public safety interests, and commercial freedoms of speech and trade must be balanced in a way that protects the privacy of individuals and permits legitimate telemarketing practices;" § 2 (9); "Evidence compiled by the Congress indicates that residential telephone subscribers consider automated or prerecorded telephone calls, regardless of the content or the initiator of the message, to be a nuisance and an invasion of privacy;" § 2 (10); "Banning such automated or prerecorded telephone calls to the home, except when the receiving party consents to receiving the call or when such calls are necessary in an emergency situation affecting the health and safety of the consumer, is the only effective means of protecting telephone consumers from this nuisance and privacy invasion;" § 2 (12).

Plaintiffs concede that this concern for "protection of citizens' privacy is a legitimate governmental interest." Plaintiffs' Memorandum in Support, p.11. After receiving evidence and the parties' arguments before this court at the 17 December 1992 hearing, two conclusions appear beyond dispute: first, that the TCPA affects commercial speech and must therefore pass muster under the scrutiny of the constitutional protections given commercial speech, and second, that the government's interests prompting the TCPA are substantial.

Accordingly, the motion for injunctive relief requires the court to decide whether plaintiffs' challenges raise

serious questions regarding whether the TCPA is sufficiently narrowly tailored to achieve the desired objective of enhancing residential privacy, i.e., whether the statute effects a reasonable fit between the extent to which it achieves its objective and the burden it places on commercial speech. In *Discovery Network, Inc. v. Cincinnati*, 946 F.2d 464 (6th Cir. 1991), *cert. granted*, 112 S.Ct. 1290 (1992), the Sixth Circuit held a city ordinance unconstitutional under the first amendment for failure to effect such a reasonable fit. The ordinance's ban of commercial handbill distribution on public property placed a substantially greater burden on commercial speech than was necessary to further the city's stated goals of alleviating aesthetic and safety concerns related the proliferation of newsracks on city streets.

Though commercial speech sometimes receives lessened protection, it does not follow that commercial speech has a low value in first amendment jurisprudence. The court in *Discovery Network* identified only two types of cases in which commercial speech received less protection: regulations against commercial speech believed to be false or misleading, and regulations against speech because of perceived adverse effects its content has on the community. *Id.* at 471. The ordinance challenged in *Discovery Network* did not regulate content, nor alleviate a harm caused by the content, of commercial speech. Rather, it burdened commercial speech because of the manner of delivering that speech. The court concluded there was no reasonable fit between the heavy burden placed on plaintiffs (complete deprivation of access to city streets) and the benefit gained by the lawmakers ("paltry gains in safety and beauty"). *Id.* The court emphasized that the city's goals could be achieved

by several means other than by prohibiting all newsracks that dispensed commercial speech. To alleviate the safety risk associated with the chains used to anchor the racks, for example, a regulation could require that the racks be bolted to the sidewalks. To remedy the problems associated with racks overcrowding the sidewalks, or being unsightly, regulations could mandate the size, color or number of racks allowed. Each of these options could achieve the legislators' desired result without burdening commercial speech as heavily as the challenged ordinance.

This same reasoning appears applicable here. The TCPA does not restrict commercial speech because of its content or because of the content's effect on the community. Rather, the statute appears to burden one form of commercial speech (prerecorded messages) because of harms caused by the manner of their delivery. Serious questions are raised concerning whether there is a reasonable fit between the asserted purpose of the TCPA--enhanced residential privacy--and the means employed: a ban of prerecorded commercial speech delivered without an operator.

Carl R. Kolker, a manufacturer of automatic dialing systems, testified at the 17 December hearing that the vast majority of the telemarketing calls currently being placed would be unaffected by the TCPA. He estimated that at least 90 percent of these kinds of calls were placed by "predictive dialer systems," computers that dial many telephone lines at once and transfer answered calls to operators, who either deliver messages or invite the recipient to listen to prerecorded messages. The TCPA does not ban these types of calls; it instead restricts the direct transmittal

of recorded messages directly, without first requesting the listener's consent. Kolker estimated that these types of calls made up 10 percent of the telemarketing business. This evidence was unrefuted by defendants.

The statute also exempts other types of directly transmitted recorded messages. Direct transmittal of recorded commercial messages is permitted if the caller is a tax exempt nonprofit organization. 47 U.S.C. § 227(a)(3)(C). Non-commercial speech delivered in this manner is also permitted. 47 U.S.C. § 227(b)(2)(B)(i). Under the statute, therefore, non-commercial speech and even some commercial speech is unaffected and may be prerecorded and delivered by a telecomputer without an operator. The statute burdens only that commercial speech which is completely prerecorded and delivered for the purposes of realizing a profit. Yet non-commercial and nonprofit commercial prerecorded calls inflict the same degree of disturbance upon residential privacy as commercial prerecorded calls. They present the same concerns with filling answering machines and interfering with emergency, governmental and business telephone numbers that Congress noted specifically regarding the delivery of prerecorded commercial messages without operators.

The "end" targeted by the TCPA, therefore, would be a slight reduction in the number of unsolicited, invasive commercial calls placed to residential telephone subscribers. The means of accomplishing this, however, is the total suppression of commercial speech from businesses which transmit prerecorded messages and fail to use operators to introduce or read the messages--while non-commercial

speech and commercial speech delivered by nonprofit organizations is permitted. There are serious questions raised as to whether such a heavy burden upon this one kind of constitutionally protected commercial speech is an appropriate or reasonable fit to the limited accomplishment of reducing such a small percentage of the invasive calls targeted by Congress.

Furthermore, less burdensome options appear to be available that would address the concerns Congress expressed regarding calls being made to business lines, emergency care providers, and government agencies, and calls not disconnecting after engaging answering machines. Uncontroverted testimony presented at the hearing suggested that technological advances have been made in the telemarketing industry that alleviate many of these concerns. Congress could have required the automatic dialing devices to employ this advanced technology to reduce the interference to business lines, emergency care providers, government agencies, and answering machines. As noted above, the existence of less burdensome options was significant to the court in *Discovery Network*. The existence of such options in this case is equally significant.

b. Balance of Hardships

Upon determining that serious questions exist, the court must grant a preliminary injunction if it finds that the balance of hardships tips sharply in favor of the moving party. *Associated General Contractors*, 950 F.2d at 1411. Defendants assert that Congress served a strong public interest in curtailing telemarketing abuses and protecting

residents from invasions of privacy. If enforcement of the TCPA were enjoined, defendants claim that the balance of hardships would favor them because the public would continue to suffer these invasions of privacy Congress sought to prevent.

According to the evidence presented, the TCPA would-- at best--eliminate only one of every ten telemarketing calls made. The enhanced privacy would be even less significant if the for-profit automatic dialers silenced by the statute were subsequently put to use by those exempted from the effects of the law, e.g., tax exempt nonprofit organizations. Therefore, the hardship defendants speak of is the further delay in eliminating one of every ten or more telephone solicitations a person may receive.

While this court in no way diminishes the stated intent of Congress, and shares their respect for privacy and the desire to be protected from unsolicited interruptions in the home, the court cannot conclude that defendants' projected hardship of allowing one additional solicitation outweighs the potential hardship that would be imposed upon plaintiffs. The Supreme Court and the Ninth Circuit have recognized that the loss of first amendment freedoms--even for a short period--can constitute irreparable injury. *Elrod v. Burns*, 427 U.S. 347, 373-74 (1976) (plurality opinion); *San Diego Committee*, 790 F.2d at 1473 n.3. This court shares the reasoning in *Elrod* and *San Diego Committee* and agrees that first amendment infringements can have a profound impact, and regards the loss of plaintiffs' rights to express one form of commercial speech as a significant hardship.

Plaintiffs also presented evidence and testimony suggesting that enforcement of the TCPA would cause dramatic drops in revenue and would probably result in the loss of livelihoods. Mrs. Moser testified that 70 percent of her business was attributable directly to the use of the telecomputer system. This court finds that the balance of hardships tips sharply in plaintiffs' favor.

CONCLUSION

Having found that serious questions are raised by plaintiffs in this action, and that the balance of hardships tips strongly in plaintiffs' favor, this court grants plaintiffs' motion for a preliminary injunction enjoining the enforcement of 47 U.S.C. § 227(b)(1)(B), pending a determination of the constitutionality of the statute.

Dated this 22nd day of December, 1992.

James A. Redden
United States District Judge

PUBLIC LAW 102-243 [S. 1462]; December 20, 1991

TELEPHONE CONSUMER PROTECTION ACT OF 1991

SECTION 1. SHORT TITLE.

This Act may be cited as the "Telephone Consumer Protection Act of 1991".

SEC. 2. FINDINGS.

The Congress finds that:

(1) The use of the telephone to market goods and services to the home and other businesses is now pervasive due to the increased use of cost-effective telemarketing techniques.

(2) Over 30,000 businesses actively telemarket goods and services to business and residential customers.

(3) More than 300,000 solicitors call more than 18,000,000 Americans every day.

(4) Total United States sales generated through telemarketing amounted to $435,000,000,000 in 1990, a more than four-fold increase since 1984.

(5) Unrestricted telemarketing, however, can be an intrusive invasion of privacy and, when an emergency or medical assistance telephone line is seized, a risk to public safety.

(6) Many consumers are outraged over the proliferation of intrusive, nuisance calls to their homes from telemarketers.

(7) Over half the States now have statutes restricting various uses of the telephone for marketing, but telemarketers can evade their prohibitions through interstate operations; therefore, Federal law is needed to control residential telemarketing practices.

(8) The Constitution does not prohibit restrictions on commercial telemarketing solicitations.

(9) Individuals' privacy rights, public safety interests, and commercial freedoms of speech and trade must be balanced in a way that protects the privacy of individuals and permits legitimate telemarketing practices.

(10) Evidence compiled by the Congress indicates that residential telephone subscribers consider automated or prerecorded telephone calls, regardless of the content or the initiator of the message, to be a nuisance and an invasion of privacy.

(11) Technologies that might allow consumers to avoid receiving such calls are not universally available, are costly, are unlikely to be enforced, or place an inordinate burden on the consumer.

(12) Banning such automated or prerecorded telephone calls to the home, except when the receiving party consents

to receiving the call or when such calls are necessary in an emergency situation affecting the health and safety of the consumer, is the only effective means of protecting telephone consumers from this nuisance and privacy invasion.

(13) While the evidence presented to the Congress indicates that automated or prerecorded calls are a nuisance and an invasion of privacy, regardless of the type of call, the Federal Communications Commission should have the flexibility to design different rules for those types of automated or prerecorded calls that it finds are not considered a nuisance or invasion of privacy, or for noncommercial calls, consistent with the free speech protections embodied in the First Amendment of the Constitution.

(14) Businesses have also complained to the Congress and the Federal Communications Commission that automated or prerecorded telephone calls are a nuisance, are an invasion of privacy, and interfere with interstate commerce.

(15) The Federal Communications Commission should consider adopting reasonable restrictions on automated or prerecorded calls to businesses as well as to the home, consistent with the constitutional protections of free speech.

SEC. 3. RESTRICTIONS ON THE USE OF TELEPHONE EQUIPMENT.

"(a) AMENDMENT.--Title II of the Communications Act of 1934 (47 U.S.C. 201 et seq.) is amended by adding at the end the following new section:

"SEC. 227. RESTRICTIONS ON THE USE OF TELEPHONE EQUIPMENT.

"(a) Definitions.—As used in this section—

"(1) The term 'automatic telephone dialing system' means equipment which has the capacity—

"(A) to store or produce telephone numbers to be called, using a random or sequential number generator; and

"(B) to dial such numbers.

"(2) The term 'telephone facsimile machine' means equipment which has the capacity (A) to transcribe text or images, or both, from paper into an electronic signal and to transmit that signal over a regular telephone line, or (B) to transcribe text or images (or both) from an electronic signal received over a regular telephone line onto paper.

"(3) The term 'telephone solicitation' means the initiation of a telephone call or message for the purpose of encouraging the purchase or rental of, or investment in, property, goods, or services, which is transmitted to any person, but such term does not include a call or message (A) to any person with that person's prior express invitation or permission, (B) to any person with whom the caller has an established business relationship, or (C) by a tax exempt nonprofit organization.

"(4) The term 'unsolicited advertisement' means any material advertising the commercial availability or quality of any property, goods, or services which is transmitted to any person without that person's prior express invitation or permission.

"(b) RESTRICTIONS ON THE USE OF AUTOMATED TELEPHONE EQUIPMENT.—

"(1) PROHIBITIONS.—It shall be unlawful for any person within the United States—

"(A) to make any call (other than a call made for emergency purposes or made with the prior express consent of the called party) using any automatic telephone dialing system or an artificial or prerecorded voice—

"(i) to any emergency telephone line (including any '911' line and any emergency line of a hospital, medical physician or service office, health care facility, poison control center, or fire protection or law enforcement agency);

"(ii) to the telephone line of any guest room or patient room of a hospital, health care facility, elderly home, or similar establishment; or

"(iii) to any telephone number assigned to a paging service, cellular telephone service, specialized mobile radio service, or other radio

common carrier service, or any service for which the called party is charged for the call;

"(B) to initiate any telephone call to any residential telephone line using an artificial or prerecorded voice to deliver a message without the prior express consent of the called party, unless the call is initiated for emergency purposes or is exempted by rule or order by the Commission under paragraph (2)(B);

"(C) to use any telephone facsimile machine, computer, or other device to send an unsolicited advertisement to a telephone facsimile machine; or

"(D) to use an automatic telephone dialing system in such a way that two or more telephone lines of a multi-line business are engaged simultaneously.

"(2) REGULATIONS; EXEMPTIONS AND OTHER PROVISIONS.--The Commission shall prescribe regulations to implement the requirements of this subsection. In implementing the requirements of this subsection, the Commission—

"(A) shall consider prescribing regulations to allow businesses to avoid receiving calls made using an artificial or prerecorded voice to which they have not given their prior express consent; and

"(B) may, by rule or order, exempt from the requirements of paragraph (1)(B) of this subsection,

subject to such conditions as the Commission may prescribe—

"(i) calls that are not made for a commercial purpose; and

"(ii) such classes or categories of calls made for commercial purposes as the Commissioner determines—

"(I) will not adversely affect the privacy rights that this section is intended to protect;

"(II) do not include the transmission of any unsolicited advertisement.

"(3) PRIVATE RIGHT OF ACTION.—A person or entity may, if otherwise permitted by the laws or rules of court of a State, bring in an appropriate court of that State—

"(A) an action based on a violation of this subsection or the regulations prescribed under this subsection to enjoin such violation,

"(B) an action to recover for actual monetary loss from such a violation, or to receive $500 in damages for each such violation, whichever is greater, or

"(C) both such actions.

If the court finds that the defendant willfully or knowingly violated this subsection or the regulations prescribed under this subsection, the court may, in its discretion, increase the amount of the award to an amount equal to not more than 3 times the amount available under subparagraph (B) of this paragraph.

"(c) PROTECTION OF SUBSCRIBER PRIVACY RIGHTS.—

"(1) RULEMAKING PROCEEDING REQUIRED.—Within 120 days after the date of enactment of this section, the Commission shall initiate a rulemaking proceeding concerning the need to protect residential telephone subscribers' privacy rights to avoid receiving telephone solicitations to which they object. The proceeding shall—

"(A) compare and evaluate alternative methods and procedures (including the use of electronic databases, telephone network technologies, special directory markings, industry-based or company-specific 'do not call' systems, and any other alternatives, individually or in combination) for their effectiveness in protecting such privacy rights, and in terms of their cost and other advantages and disadvantages;

"(B) evaluate the categories of public and private entities that would have the capacity to establish and administer such methods and procedures;

"(C) consider whether different methods and procedures may apply for local telephone solicitations, such as local telephone solicitations of small businesses or holders of second class mail permits;

"(D) consider whether there is a need for additional Commission authority to further restrict telephone solicitations, including those calls exempted under subsection (a)(3) of this section, and, if such a finding is made and supported by the record, propose specific restrictions to the Congress; and

"(E) develop proposed regulations to implement the methods and procedures that the Commission determines are most effective and efficient to accomplish the purposes of this section.

"(2) REGULATIONS.—Not later than 9 months after the date of enactment of this section, the Commission shall conclude the rulemaking proceeding initiated under paragraph (1) and shall prescribe regulations to implement methods and procedures for protecting the privacy rights described in such paragraph in an efficient, effective, and economic manner and without the imposition of any additional charge to telephone subscribers."

[REMAINDER OF ACT OMITTED]